

**NONGOMA UMASIPALA WESIFUNDA
NONGOMA LOCAL MUNICIPALITY**



**FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2009**

NONGOMA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

TABLE OF CONTENTS

	Page
1 General information	1
2 Statement of the Municipal Manager	3
3 Report of the Auditor-General	4
4 Accounting policies	5
5 Statement of Financial Position	16
6 Statement of Financial Performance	17
7 Statement of Changes in Net Assets	18
8 Cash flow statement	19
9 Notes to the annual financial statements	20
10 Appendixes	
A Schedule of External Loans	32
B Analysis of Property, Plant and Equipment	33
C Analysis of Financial Performance	34
D Segmental Analysis of Financial Performance	35
E Government Grant Creditors, Provision	36
F Statistical information	37

NONGOMA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

GENERAL INFORMATION

Speaker	Clr. N. Hlongwa
Mayor	Clr. M.B. Mabika
Deputy Mayor	Clr. J. M. Potgieter
Exco Members	Clr. T.M. Dludla Clr. N.S. Gazu Clr. P.H.Mncwango Clr. S.M. Zulu Clr. M.B. Mabika

Council Members

Grading of Municipality

Grade 3 (in terms of Government Notice R1224 dated 1 December 2006)

Auditors

The Auditor-General
Private Bag X9034
PIETERMARITZBURG
3200

NONGOMA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

GENERAL INFORMATION (continued)

Bankers

First National Bank, Nongoma

Registered office

102 Main Street
NONGOMA
3950

P O Box 1965
NONGOMA
3950

Tel: (035) 831 0004

Fax: (035) 831 3152

E-mail: cfo@nongoma.org.za

Municipal Manager

Mr. S.I. Mabaso

Chief Financial Officer

Mr. T. S. Dlamini

National Diploma in Accounting, CIBM, CFA (SA)

NONGOMA LOCAL MUNICIPALITY

REPORT OF THE AUDITOR-GENERAL

30 JUNE 2009

The report of the Auditor-General will be inserted after the audit.

STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY

NONGOMA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The Nongoma Municipality is situated 102 Main Street, Nongoma is a category C Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these financial statements, which are set out on page 1 to 41 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed on note 14 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of the Public Office Bearers and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Mr. S.I. Mabaso
Municipal Manager

Date : 28 August 2009

NONGOMA MUNICIPALITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

Page 5

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.4 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Page 6

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets		Other Assets	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
Community Assets		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	1-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years
Finance Lease Assets			
Office equipment	4 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Nongoma Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009 , with respect to the measurement of property , plant and equipment as set out in paragraph 73 to 83.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Nongoma Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009 , with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118..

Page 8

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Page 9

5 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Page 10

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Page 11

10 LEASES

10 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

10 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

11 REVENUE

11 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Page

12

11 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

11 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

15 **RESERVES**

15.1 Government Grant Reserve

- 15.1.1** When items of property, plant and equipment are financed from government grants, a transfer is be made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).
- 15.1.2** When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

16 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

17 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

18 **TRANSITIONAL PROVISIONS**

Nongoma Municipality has taken advantage of the transitional provisions permitted by the Accounting

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

NONGOMA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	Restated 2008 R
EQUITY AND LIABILITIES			
EQUITY		27 959 365	28 832 063
Accumulated Deficit	16	(3 255 254)	(2 245 863)
Government Grant Reserve	2	18 676 651	18 539 957
Donation and Public Contribution Reserve	3	12 537 969	12 537 969
NON CURRENT LIABILITIES		769 321	1 323 132
Long Term Liabilities	4	769 321	1 323 132
Non-Current Provisions			
CURRENT LIABILITIES		16 514 811	19 791 048
Provisions	1	2 046 591	2 065 839
Consumer Deposits	5	5 340	151 269
Unspent Conditional Grant and Receipts	12	11 054 432	11 210 092
Bank Overdraft	21	1 171 998	3 120 847
Creditors	11	1 771 864	2 778 416
Current Portion of Long-term Liabilities	4	464 585	464 585
TOTAL EQUITY AND LIABILITIES		45 243 497	49 946 243
ASSETS			
NON- CURRENT ASSETS		35 942 906	36 572 582
Propert, Plant and Equipment	6	35 365 548	35 733 192
Investments	7	577 358	411 908
Long Term Receivables	8	0	427 482
CURRENT ASSETS		9 300 592	13 373 662
Debtors	10	9 300 592	13 181 960
Inventory		0	191 702
		45 243 497	49 946 244

NONGOMA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Actual 2009 R	Actual 2008 R
REVENUE			
Government and Provincial grants and subsidies	22	42 939 214	30 066 501
Rates		1 053 667	1 001 999
Sale of Water		0	23 967
Refuse Removal		571 897	0
Other Income		1 216 001	1 615 245
Gains on Disposal of Property, Plant and Equipment			
TOTAL REVENUE - Appendix c		46 014 383	32 707 712
EXPENDITURE			
Employee Related Costs		15 163 810	19 435 806
Remuneration of Councillors		6 602 550	0
Depreciation		206 711	0
General expenses		8 156 912	10 335 065
Repairs and maintenance		429 967	379 861
Contributions to fixed assets		12 349 756	8 200 227
Grants and Subsidies Contributed		22 444	104 240
Total Expenditure		42 932 150	38 455 199
Less: Amounts charged out		-	-
(Surplus) / Dificit		3 082 233	(5 747 487)

NONGOMA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Pre-GRAP GAMAP Accum Funds	Pre-GRAP GAMAP PIF	Pre-GRAP GAMAP Reserve Maintenance Reserve	Pre-GRAP GAMAP Provisions	Pre-GRAP GAMAP Loans Redeemed Capital Receipt	Government Grant Reserve	Donation and Public Contribution Reserve	Revaluation Reserve	Accumulated Surplus/ Deficit	Total
	R	R	R	R	R	R	R	R	R	R
2008										
Balance at 1 July 2008	736 367	4 370 367	22 079	1 294 412	32 088 837	15 465 422	16 623 415		548 258	548 258
Implementation of Gamap	-736 367	-4 370 367	-22 079	-1 294 412	-32 088 837				6 423 225	38 512 062
Change in accounting policy										0
Restated Balance	0	0	0	0	0	15 465 422	16 623 415	0	6 971 483	39 060 320
Surplus/(deficit) for the year									-5 795 422	-5 795 422
Surplus/(deficit) for the year									-3 479 561	-3 479 561
Transfer to CRR										
Funds Utilised During the Year									0	0
PPE purchased						5 368 040			57 637	5 425 677
Offsetting of Depreciation						-2 293 505	-4 085 446			-6 378 951
Balance as at 30 June 2008	0	0	0	0	0	18 539 957	12 537 969	0	-2 245 863	28 832 063
Correction of error										
Change in accounting policy										
Restated Balance	0	0	0	0	0	18 539 957	12 537 969	0	-2 245 863	28 832 063
Surplus/(deficit) for the year									3 082 233	3 082 233
Appropriated during the year									-4 091 625	-4 091 625
PPE purchased						11 750 308			0	11 750 308
PPE Transferred and Written off (W&E)						-11 613 614			0	-11 613 614
Balance as at 30 June 2009	0	0	0	0	0	18 676 651	12 537 969	0	-3 255 254	27 959 366

NONGOMA LOCAL MUNICIPALITY

CASH FLOW STATEMENT

FOR THE PERIOD ENDING 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	17	11 829 785	(11 210 753)
Cash Paid to Suppliers and Employees	18	3 586 664	9 796 618
Cash generated from /(Utilised in) Operations		15 416 449	(1 414 135)
Interest Received	15	233 603	0
Interest Paid	15	(3 495)	(456 626)
NET CASH FROM OPERATING ACTIVITIES		15 646 558	(1 870 761)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Propert,Plant and Equipment		(13 104 776)	(1 489 537)
Proceed on Disposal of Propert, Plant and Equipment			
Adjustment		0	0
Increase in non-current investment	20	(165 450)	0
NETT CASH FLOW FROM INVESTING ACTIVITIES		(13 270 227)	(1 489 537)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in non Current Receivables		(427 482)	(219 323)
Increase in Consumer Deposits			
NETT CASH FLOW FROM FINANCING ACTIVITIES		(427 482)	(219 323)
NETT DECREASE IN CASH AND CASH CASH EQUIVALENTS		1 948 849	(3 579 622)
		(1 948 849)	3 579 622
Cash and Cash Equivalents at the Beginning of the Year	21	(3 120 847)	458 775
Cash and Cash Equivalents at the End of the Year	21	(1 171 998)	(3 120 847)

Creches	1 549 752
Halls	2 730 454
Sports	3 532 884
Multipurpose Ce	963 514
Town Hall	1 378 610
stalls	17 198
Taxi Rank	16 181
Roads	537 569
	10 726 161

NONGOMA LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AND INTERNAL ADVANCES

			Redeemed or Written off			
Interest Repayment Date		Balance at 30/06/2008	Received During the Year	During the Year	Adjustments	Balance at 30/6/2009
		R	R	R	R	R
OTHER LOANS						
Wesbank	12.00%	2019	1 787 717	0	553 812	0
			0			1 233 906
			1 787 717	-	553 812	0
						1 233 906

1 787 717	0	553 812	0	1 233 906
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NONGOMA LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Expenditure 2008	Service	Budget 2009	Balance at 30/06/2008	Expenditure 2009	Adjustments 2009	Balance at 30 Jun 09
R	R	R	R	R	R	R
5 396 591	Resource Support Services	8 842 000	42 112 142	13 104 776	(13 902 939)	41 313 979
5 368 040	Buildings	4 000 000	2 016 335	2 846 037		4 862 371
-	Buildings Town Hall		3 450 980	3 091 620		6 542 600
-	Office Development		2 121 596			2 121 596
-	New Town Hall		293 890			293 890
	Infrastructure		162 507			162 507
28 551	Furniture / Equipment	50 665	1 437 032	193 518		1 630 550
-	Vehicles	220 000	2 247 746		(437 230)	1 810 516
-	Plant / Equipment		2 485 561		(200 000)	2 285 561
-	Tools		23 697			23 697
-	Roads / Streets		636 069	2 119 177		2 755 246
-	Cemetery		234 060			234 060
-	Sundry Assets	4 571 335	9 242 947			9 242 947
-	Market Stalls		1 368 538	7 543		1 376 081
-	Land Assets		3 125 476	4 846 881		7 972 357
-	Sewerage		420 506		(420 506)	-
	Water New		1 022 168		(1 022 168)	-
	Water Old		11 484 749		(11 484 749)	-
	Transformer		338 287		(338 287)	-
5 396 591	TOTAL FIXED ASSETS	8 842 000	42 112 142	13 104 776	(13 902 939)	41 313 979
	Less Accumulated Depreciation					(5 948 432)
	Book Value		42 112 142			35 365 547

NONGOMA LOCAL MUNICIPALITY

APPENDIX C

ANALYSIS OF FINANCIAL PERFORMANCE

FOR THE PERIOD ENDING 30 JUNE 2009

Actual 2008 R		Actual 2009 R
INCOME		
(30 066 501)	Government and Provincial grants and subsidies	(42 939 214)
(1 001 999)	Rates	(1 053 667)
(23 967)	Sale of Water	
	Refuse	(571 897)
(1 615 245)	Other Income	(1 216 001)
	Interest Received	(233 603)
<u>(32 707 712)</u>		<u>(46 014 383)</u>
EXPENDITURE		
19 435 806	Salaries, wages and allowances	21 766 360
10 335 065	General expenses - Other	8 363 623
379 861	Repairs and maintenance	429 967
8 200 227	Contributions to fixed assets	12 349 756
0	Contributions	22 444
104 240	Leave Reserve	0
<u>38 455 199</u>	Gross expenditure	<u>42 932 150</u>
	Capital	
	Less Amount Charged Out	
<u><u>5 747 487</u></u>	Net Deficit	<u><u>(3 082 233)</u></u>

Budget
2009
R

(42 551 000)
(1 161 917)

(600 000)
(774 235)

	-46014383	0
<hr/> (45 087 152)	-4601438300.00%	
	0	
	-33 549 930	
	-106 551 564	
	-213 103 128	

21 236 435
7 351 133
417 051
270 665
15 811 868
0

<hr/> 45 087 152	0.00
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NONGOMA LOCAL MUNICIPALITY

APPENDIX D

SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual income R	2008 Actual expenditure R	2008 Surplus/ (deficit) R		2009 Actual income R	2009 Actual expenditure R	2009 Surplus/ (deficit) R	Budget Surplus/ (deficit) R
32 109 066	35 809 315	(3 700 249)	Resource Support Services	45 442 186	40 024 029	5 418 157	(2 545 252)
32 108 289	35 809 315	(3 701 026)	Community Services	45 441 513	40 017 903	5 423 611	(2 560 046)
1 001 999		1 001 999	Assessment Rates	1 053 667		1 053 667	1 161 917
	5 819 497	(5 819 497)	Administration	0	7 476 846	(7 476 846)	6 490 172
15 023	10 871 316	(10 856 293)	Planning	11 661	13 908 944	(13 897 283)	10 573 327
	2 504 590	(2 504 590)	Management	0	3 170 401	(3 170 401)	5 274 493
	6 840 688	(6 840 688)	Council	0	7 306 416	(7 306 416)	7 408 386
31 006 677	8 442 795	22 563 882	Finance	43 759 907	6 327 847	37 432 060	(34 884 939)
	110 597	(110 597)	Cemetery	0	29 598	(29 598)	69 195
	87 513	(87 513)	Protection Services	25 300	116 309	(91 009)	
84 590	1 080 492	(995 902)	Traffic	590 979	1 678 566	(1 087 587)	1 327 403
	51 827	(51 827)	Roads	0	2 976	(2 976)	20 000
777	0	777	Subsidied Services	672	6 126	(5 454)	14 794
777		777	Library	672	6 126	(5 454)	14 794
574 679	2 645 885	(2 071 206)	Economic Services	572 197	2 908 121	(2 335 923)	2 545 252
579 072	2 601 698	(2 022 626)	Refuse	572 197	2 908 121	(2 335 923)	2 545 252
(4 393)	44 187	(48 580)	Sewerage	0	0	0	
(23 967)	0	(23 967)	Trading Services	0	0	0	0
(23 967)	0	(23 967)	Water	0	0	0	
32 659 778	38 455 200	(5 795 422)	TOTAL	46 014 383	42 932 150	3 082 233	0
		3 001 299	Appropriations for this year (refer to note 14)			(4 091 625)	
32 109 066		0	Adjustment to opening balance				
		(2 794 122)	Net surplus for the year			(1 009 391)	
		548 258	Accumulated surplus beginning of the year			(2 245 863)	
32 659 778		(2 245 863)	Accumulated surplus end of year			(3 255 254)	

APPENDIX E - GOVERNMENT GRANT CREDITORS AND PROVISIONS : 30 JUNE 2009

	Opening Balance at 30/06/2008 R	Contri - butions during the year R	Interest on investments R	Other income R	Expenditure during the Year R	Adjusted to Opening Balances R	Closing Balance at 30/06/2009 R
Government Grants Creditors							
Library Grant	114 050	78 900			0		192 950
CDW Grant	87	0			0		87
IDP Grant	(532 090)	0			0		-532 090
Tourism Grant	59 429	0			0		59 429
Finance Management	1 123 834	500 000			120 991		1 502 843
MIG	6 405 152	10 388 468	0		11 381 561	0	5 412 060
PRA and Valuation Roll Grant	217 859	0			0		217 859
GIS	358	0			0		358
Interdep Monitoring	100 000	0			0		100 000
PMS	45 348	0			0		45 348
Property Rates	147 750	0			0		147 750
IDP Grant	90 639	0	0		0		90 639
Electricity Capacity Grant	100 000	0			0		100 000
LED Grant	(24 635)	0			0		-24 635
Housing Holinyoka	(840 080)	0			0		-840 080
Housing Buxedene	(712 860)	0			0		-712 860
Project Cons-other	(134 000)	0			0		-134 000
MPPCB	391 500	0			0		391 500
Housing Section Plan	4 950	0			0		4 950
Prep Funding	45 000	240 000			266 320		18 680
HR Systems and Procedures	(23 378)	0			0		-23 378
Basic Bookkeeping	100 000	0			88 920		11 080
Internal Controls	150 000	0			0		150 000
Public Participation	157 818	0			94 860		62 958
Construction of Roads	2 000 000	0			0		2 000 000
Hand Craft Development	24 925	21 877			46 817		-15
MIIP	183 220	0			0		183 220
GRAP / GAMAP CONVERSION	0	300 000			0		300 000
Debt Collection Strategy	0	100 000			0		100 000
LUMS	250 000	0			0		250 000
MSIG	564 494	755 208			543 756		775 945
ZULAND DISTRICT MUNICIPALITY	0	80 000			76 888		3 112
Indegent Support	0	0			0		0
Institutional Grant	185	0			0		185
Municipal Assistance PRO GRAM	1 185 489	0			0		1 185 489
LED Grant	15 049	0			0		15 049
							0
Government Grants Creditors	11 210 092	12 464 453	0	0	12 620 113	0	11 054 432
Provision							
Bad Debts	4 191 987	0			2 919 135		1 272 852
leave	2 065 839	0			19 248.20		2 046 591
Provision	6 257 825	0	0	0	2 938 383	0	3 319 442
Government Grant Creditors & Provision	17 467 917	12 464 453	0	0	15 558 496	0	14 373 874

NONGOMA LOCAL MUNICIPALITY

APPENDIX F : STATISTICAL INFORMATION

	2009	2008
General Statistics		
Population	230 672	230 672
Registered Voters	77 000	77 000
Area (Km2)	2 184	2 184
Total Valuations : Rateable (R'000)	89 001 300	89 001 300
: None Rateable (R'000)	1 846 000	1 846 000
: Commercial (R'000)		
Date of Valuation		
Number of Properties : Residential		
: Commercial	-	-
Assesment Rate : Basic (Per Rand)	4.22	4.22
: Rabate : Residential	0	0
Number of Employees	157	157

* = Information not available